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Fraudulent Financial Reporting Analysis on Non-Financial Companies Listed on IDX in Hexagon Fraud Perspective

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Abstract

Fraud financial reporting (FFR) is fraud committed by management because of an opportunity, namely the opportunity for management to choose the most profitable accounting method, such as valuation. This study aims to examine the effect of pressure, capability, opportunity, rationalization, arrogance, and collusion on the level of risk of fraudulent financial reporting. The research was conducted on 389 non-financial companies listed on the Indonesia Stock Exchange. The total population in this study was 750 companies. The method of determining the sample used is non-probability with purposive technique. The research method used is quantitative and qualitative research. The data source is secondary data collected through the Indonesia Stock Exchange website. The data analysis technique used in this research is Logistic Regression Analysis. This study states that pressure has no significant and negative effect, capability has a significant positive effect, opportunity has a significantly negative effect, rationalization has a significant positive effect, arrogance has a significant positive effect, and collusion has a significant positive effect on fraudulent financial reporting. The implication of this research is that pressure, capability, opportunity, rationalization, arrogance, and collusion can affect fraudulent financial reporting.

Keywords
analysis; fraud; financial reports

I. Introduction

Financial statements as a medium for companies to provide information for users must be free from material misstatements caused by errors or fraud so as not to mislead users of financial statements. The negligence or intentional material nature of the matter may affect interested parties in making decisions(Suryani, 2019). The main factor that distinguishes error from fraud is that the underlying action is carried out intentionally or unintentionally. Professional Standards of Public Accountants (SPAP) in Statement of Accounting Standards (PSA) No. 70 defines fraudulent financial reporting as a misstatement or intentional omission of amounts or disclosures in financial statements to deceive users of financial statements and the resulting effect is a non-conformity of financial statements in all material respects with generally accepted accounting principles.

Fraud financial reporting (FFR) is fraud committed by management because of an opportunity, namely the opportunity for management to choose the most profitable accounting method, such as valuation. SurveyACFE Indonesia (2020)stated that there are three main categories of fraud, namely asset misappropriations, corruption, and financial statement fraud. Based on the ACFE survey, cases of financial statement fraud (financial statement fraud) are the fewest cases, which are 13% compared to asset misappropriation and corruption, but financial statement fraud causes the largest loss with an average loss US$ 700,000.Kusumosari & Solikhah (2020)stated that this small percentage is suspected because in Indonesia there are still many crimes originating from financial statement fraud

that have not been revealed, such as crimes of fraud on tax information and the stock exchange.

In Indonesia, research on the fraud hexagon is still not widely done so that researchers are motivated to do this research (Tumanggor, 2021). Fraud Hexagon model is a theory that explains why a company or certain party commits fraud(Sagala & Siagian, 2021). Hexagon model introduced byVousinas (2019) Until now it has only been studied by a few studies, such as in the manufacturing sector in the basic industry and chemicals, miscellaneous industry and consumer goods industry by Sari & Nugroho (2021)as well as within the local government of Rokan Hulu district by Desviyana et al. (2020). The fraud hexagon theory explains that there are six important points that are factors in detecting fraud that occurs in an organization or company. Organization must have a goal to be achieved by the organizational members (Niati et al., 2021).

This research is intended to detect fraudulent financial reporting based on the fraud hexagon theory, namely pressure, capability, opportunity, rationalization, arrogance, and collusion. Researchers as a place of research by examining cases of violations of issuers in Indonesia on Regulation Number VIII.G.7 in accordance with the Decree of the Chairman of Bapepam-LK Number KEP-347/BL/2012 concerning the presentation and disclosure of financial statements of issuers or public companies and Regulation Number IX.E .2 in accordance with the Decree of the Chairman of Bapepam-LK Number KEP-614/BL/2011 concerning material transactions and changes in main business activities.

II. Review of Literature

2.1 Agency Theory

Agency theory was first coined byJensen & Meckling (1976). Agency theory can be defined as a relationship contained in a contract. In this case, one or more people (principal) orders another person (agent) to perform a service on behalf of the principal and authorizes the agent to make the best decision for the principal. The main principle of this theory is in the form of a working relationship between the party giving the authority (principal) and the party receiving the authority (agent) in the form of a cooperation contract called the "nexus of contract". Delegation of authority occurs when the principal chooses an agent to act in the interests of the principal.

2.2 Hexagon Fraud Theory

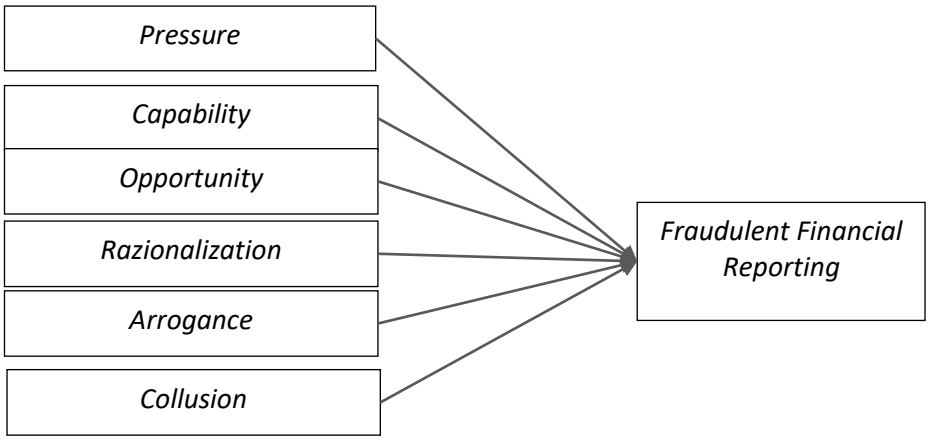
The fraud hexagon theory consists of six components, namely stimulus (pressure), capability (ability), collusion (collusion), opportunity (opportunity), rationalization (rationalization), and ego. The six components in the fraud hexagon theory are the result of the development of the fraud triangle, fraud diamond, and fraud pentagon theories by adding a collusion component.

2.3 Fraud

Association of Certified Fraud Examiners (ACFE, 2000) explains that fraud is an act of fraud or a mistake made by a person or entity who knows that the error can result in several benefits that are not good for individuals or entities or parties. The Association of Certified Fraud Examiners (ACFE) defines fraud into three main branches which have more specific branches known as the “fraud tree”. Fraud tree is a classification system that explains various forms of fraud and abuse of work (Occupational Fraud and Abuse Classification System). ACFE classifies fraud into three main branches consisting of corruption, asset misappropriation, and fraudulent financial reporting.

2.4 Concept Framework and Hypotheses

The concept of this research is a logical relationship from the theoretical basis that has been described in the previous section is presented in Figure 1 as follows:



Source: Processed data (2022)

Figure 1. *Research Concept*

Based on the conceptual framework, the hypotheses proposed for this study are as follows:

a. The Effect of Financial Stability Pressure on the Risk Level of Fraudulent Financial Reporting

Financial stability pressure which is part of the fraud hexagon theory is a situation that describes the condition of the company's financial instability(Skousen et al., 2009). The effect of financial stability pressure in fraud is when the growth rate of the company's assets is getting smaller or even negative, it indicates that the financial condition is unstable and is considered unable to operate properly.(Loebbecke, Eining, & Willingham, 1989). In addition, according toBell et al. (1991)shows that the case when the company experiences industry growth below the average, management allows to manipulate financial statements in order to improve the company's prospects. Companies that are already able to manage their assets well can affect the high or low profits generated and affect the company's ability to generate high returns for investors.(Sari & Istutik, 2017).

H1: Financial Stability Pressure has a positive effect on the level of risk of Fraudulent Financial Reporting.

b. The Effect of Capability on the Risk Level for Fraudulent Financial Reporting

Capability research which is part of the fraud hexagon theory is considered as one of the important elements when someone commits fraud. The capability described here is the ability of the fraud perpetrator to commit fraud without being noticed by the company's controlling party (Sagala & Siagian, 2021). According toJannah et al. (2021)The relationship between capability and agency theory is the ability of the director as an agent to act, not always acting in accordance with the interests of the company owner or principal, but to maximize his own welfare.

H2: Capability has a positive effect on the level of risk of Fraudulent Financial Reporting

c. Effect of Effective Monitoring as Opportunity Proxy Variable on the Risk Level for Fraudulent Financial Reporting

Effective monitoring is a situation where the company has an effective supervisory unit to monitor the company's management performance(Skousen et al., 2009). Martantya & Daljono (2013) state that the high level of fraud that occurs in Indonesia is one of the reasons for the low level of supervision that creates a gap for someone to commit fraud. With ineffective supervision, management feels that their performance is not being monitored so they look for ways to commit fraud. So the higher the ineffectiveness of supervision, the internal control over management performance will be weaker so that the possibility of fraudulent financial statements will be higher. This statement is in accordance with researchSulkiyah (2016), as well asAgusputri & Sofie (2019)

H3: Effective Monitoring has a positive effect on the level of risk of Fraudulent Financial Reporting

d. The Effect of Rationalization on the Risk Level for Fraudulent Financial Reporting

*Rationalization*is an act of justification for fraud committed by the perpetrator. Rationalization means that individuals who commit fraud will seek justification for activities that contain fraud(Sagala & Siagian, 2021). In general, the perpetrators of fraud will modify the rules within the company in order to find reasons to rationalize the fraud committed. In the fraud hexagon theory, razinalitation is a factor that cannot be separated from the potential for fraudulent financial statements. This is because someone usually justifies the act of cheating he has done.

H4: Razionalitation has a positive effect on the level of risk of Fraudulent Financial Reporting

e. The Effect of Arrogance on the Risk Level for Fraudulent Financial Reporting

Arrogance (ego) is the fifth variable in the fraud hexagon theory, where arrogance can be interpreted as an attitude of superiority or greed from people who believe that internal control does not apply personally.(Danuta, 2017). A high level of arrogance can lead to fraud due to the arrogance and superiority of a director, making the director feel that any internal control will not apply to him because of his status and position.

H5: Arrogance has a positive effect on the risk level of Fraudulent Financial Reporting

f. The Effect of Collusion on the Risk Level for Fraudulent Financial Reporting

Collusion is a new variable contained in the fraud hexagon theory, according toVousinas (2019)Collusion refers to a deceptive or compact agreement between two or more people, for one party to take action on the other for some unfavorable purpose, such as to defraud a third party of their rights. When collusion increases, the potential for fraud will also be higher(Jannah et al., 2021).

H6: Collusion has a positive effect on the risk level of Fraudulent Financial Reporting.

III. Research Method

This research was conducted on non-financial sector companies listed on the Indonesia Stock Exchange in 2016-2020. The research objects used in this study are non-financial industrial companies listed on the Indonesia Stock Exchange for the 2016-2020 period. The research was conducted on 389 non-financial companies listed on the Indonesia Stock Exchange. The total population in this study was 750 companies. The

selection of the research sample was based on a non-probability method with purposive sampling technique with a total sample of 389 companies. The analytical technique used is logistic regression analysis (Logistic Regression Analysis) because the dependent variable is fraudulent financial reporting which is qualitative data using dummy variables.(Sumodiningrat, 2007:334)and the independent variable is a combination of metric and non-metric variables.

IV. Results and Discussion

4.1 Results of Statistical Analysis Respondents Description

Table 1. Descriptive Statistics

	N	Minimum	Maximum	mean	Std. Deviation
Pressure	110	-3,670	.630	-.01318	.433814
Capability	110	0	1	.23	.421
Opportunity	110	-.880	1,360	.00418	.248959
Rationalization	110	0	1	.15	.363
Arrogance	110	0	7	2.33	1.447
Collusion	110	0	1	.16	.372
DSRI	110	-3,670	.630	-.01318	.433814
GMI	110	.000	4.850	1.07955	.584022
AQI	110	.100	7,720	1.11845	.784525
SGI	110	.210	5.670	1.02291	.515491
DEPI	110	.040	3,140	1.03664	.417683
SGAI	110	-.810	41,710	1.66582	4.096379
LVGI	110	.080	3.360	1.07782	.426695
SYSTEM	110	-2.70	.57	-.1456	.48780
Valid N (listwise)	110				

Source: Processed Data, 2022

Mark *minimum* of the pressure variable which in this study was measured using a change ratio of -3.670 and a maximum value of 0.630 with an average value of -0.01318. If seen in table 1, it is known that the standard deviation of the pressure variable is 0.433814. Based on the average value and standard deviation, it can be explained that there was a fairly high fluctuation in the pressure variable during the observation period. This is because the average value obtained by the pressure variable is smaller than the standard deviation value. Based on the regression analysis test based on SPSS output, it is known that the regression coefficient of financial stability pressure is -1.463with significant valueof 0.155 or greater than 0.05 (0.155 > 0.05). This states that financial stability pressure has no significant and negative effect on fraudulent financial reporting so that H1 is rejected.

Based on *SPSS output*for descriptive statistics in table 1, the minimum value for the capability variable is 0 and the maximum value is 1 with an average value of 0.23. If we look at table 1, it is known that the standard deviation value of the capability variable is 0.421. Based on the average value and standard deviation, it can be explained that there was a fairly high fluctuation in the capability variable during the observation period. This is because the average value obtained by the capability variable is smaller than the standard deviation value. Based on the regression analysis test based on SPSS output, it is known that the capability regression coefficient is 1.850 with significant value of 0.040 or less

than 0.05 (0.040 < 0.05). This states that capability has a positive effect on fraudulent financial reporting so that H2 is accepted, which means that the higher the ability of a person to work, in this case the board of directors, the higher the level of prudence in carrying out his work.

Based on the SPSS output for descriptive statistics in table 1, the minimum value of the opportunity variable in this study was measured using a receivable ratio of -0.880 and a maximum value of 1.360 with an average value of 0.00418. If we look at table 1, it is known that the standard deviation of the opportunity variable is 0.248959. Based on the average value and standard deviation, it can be explained that there was a fairly high fluctuation in the opportunity variable during the observation period. This is because the average value obtained by the opportunity variable is smaller than the standard deviation value. Based on the regression analysis test based on the SPSS output, it is known that the effective monitoring regression coefficient is -3.243with significant valueof 0.004 or less than 0.05 (0.004 < 0.05). This means that effective monitoring has a negative effect on fraudulent financial reporting so that H3 is rejected.

Based on the SPSS output for descriptive statistics in table 1, the minimum value for the rationalization variable is 0 and the maximum value is 1 with an average value of 0.15. If we look at table 5.1, it is known that the standard deviation of the rationalization variable is 0.363. Based on the average value and standard deviation, it can be explained that there was a fairly high fluctuation in the rationalization variable during the observation period. This is because the average value obtained by the rationalization variable is smaller than the standard deviation value. Based on the regression analysis test based on SPSS output, it is known that the razionalitation regression coefficient is 2.587with significant valueof 0.030 or less than 0.05 (0.030 < 0.05). This states that rationalization has a positive effect on fraudulent financial reporting so that H4 is accepted, meaning that the replacement of auditors has an effect on fraudulent financial statements by the company.

Based on the SPSS output for descriptive statistics in table 1, the minimum value of the arrogance variable is 0 and the maximum value is 7 with an average value of 2.33. If we look at table 1, it is known that the standard deviation of the arrogance variable is 1.447. Based on the average value and standard deviation, it can be explained that there is no fluctuation in the arrogance variable during the observation period. This is because the average value obtained by the arrogance variable is greater than the standard deviation value. Based on the regression analysis test based on SPSS output, it is known that the arrogance regression coefficient is 2.587with significant valueof 0.025 or less than 0.05 (0.025 < 0.05). This states that arrogance has a positive effect on fraudulent financial reporting so that H5 is accepted, which means that the higher the arrogance attitude carried out by the CEO, the higher the risk of committing fraud.

Based on the SPSS output for descriptive statistics in table 1, the minimum value of the collusion variable is 0 and the maximum value is 1 with an average value of 2.16. If we look at table 1, it is known that the standard deviation of the collusion variable is 0.16. Based on the average value and standard deviation, it can be explained that there is no fluctuation in the collusion variable during the observation period. This is because the average value obtained by the collusion variable is greater than the standard deviation value. Based on the regression analysis test based on the SPSS output, it is known that the collusion regression coefficient is 2.528with significant valueof 0.026 or less than 0.05 (0.025 < 0.05). This states that collusion has a positive effect on fraudulent financial reporting so that H6 is accepted, meaning that more cooperation with the government will increase the risk of committing fraud.

Based on *SPSS output* it is known that the descriptive statistics in table 1 obtained the minimum value of the variable*day's sales in receivables index (DSRI)*is -3.670 and the maximum value is 0.630 with an average value of -0.01318. If we look at table 1, it is known that the value of the standard deviation of the variable*day's sales in receivables index (DSRI)*of 0.433814. Based on the average value and standard deviation, it can be explained that there is a fairly high fluctuation in the variable*day's sales in receivables index (DSRI)*during the observation period. This is because the average value obtained by the variable*day's sales in receivables index (DSRI)*smaller than the standard deviation value.

Based on *SPSS output*it is known that the descriptive statistics in table 1 obtained the minimum value of the variable*gross margin index (GMI)*is -0.000 and the maximum value is 4.850 with an average value of 1.07955. If we look at table 1, it is known that the value of the standard deviation of the variable*gross margin index (GMI)*of 0.548022. Based on the average value and standard deviation, it can be explained that there is a fairly high fluctuation in the variable*gross margin index (GMI)*during the observation period. This is because the average value obtained by the variable*gross margin index (GMI)*smaller than the standard deviation value.

Based on *SPSS output*it is known that the descriptive statistics in table 1 obtained the minimum value of the variable*asset quality index (AQI)*is -0.100 and the maximum value is 7.720 with an average value of 1.11845. If we look at table 1, it is known that the value of the standard deviation of the variable*asset quality index (AQI)*of 0.784525. Based on the average value and standard deviation, it can be explained that there is a fairly high fluctuation in the variable*asset quality index (AQI)*during the observation period. This is because the average value obtained by the variable*asset quality index (AQI)*smaller than the standard deviation value.

Based on *SPSS output*it is known that the descriptive statistics in table 1 obtained the minimum value of the variables*sales growth index (SGI)*is 0.210 and the maximum value is 5.670 with an average value of 1.02291. If we look at table 1, it is known that the value of the standard deviation of the variables*sales growth index (SGI)*of 0.515491. Based on the average value and standard deviation, it can be explained that there is a fairly high fluctuation in the variables*sales growth index (SGI)*during the observation period. This is because the average value obtained by the variables*sales growth index (SGI)*smaller than the standard deviation value.

Based on *SPSS output*it is known that the descriptive statistics in table 1 obtained the minimum value of the variable*depreciation index (DEPI)*is 0.040 and the maximum value is 3.140 with an average value of 1.03664. If we look at table 1, it is known that the value of the standard deviation of the variable*depreciation index (DEPI)*of 0.417683. Based on the average value and standard deviation, it can be explained that there is a fairly high fluctuation in the variable*depreciation index (DEPI)*during the observation period.

Based on *SPSS output*it is known that the descriptive statistics in table 1 obtained the minimum value of the variables*sales general and administrative expenses index (SGAI)*is -0.810 and the maximum value is 41.710 with an average value of 1.66582. If we look at table 1, it is known that the value of the standard deviation of the variables*sales general and administrative expenses index (SGAI)*of 4,096379. Based on the average value and standard deviation, it can be explained that there is a fairly high fluctuation in the variables*sales general and administrative expenses index (SGAI)* during the observation period. This is because the average value obtained by the variables*sales general and administrative expenses index (SGAI)*smaller than the standard deviation value.

Based on *SPSS output*it is known that the descriptive statistics in table 1 obtained the minimum value of the variable*leverage index (LVGI)*sis -0.080 and the maximum value is 3.360 with an average value of 1.07782. If we look at table 1, it is known that the value of the standard deviation of the variable*leverage index (LVGI)*of 0.426695. Based on the average value and standard deviation, it can be explained that there is a fairly high fluctuation in the variable*leverage index (LVGI)*during the observation period. This is because the average value obtained by the variable*leverage index (LVGI)* smaller than the standard deviation value.

Based on *SPSS output*it is known that the descriptive statistics in table 1 obtained the minimum value of the variable*total accruals to total assets (TATA)*sis -2.70 and the maximum value is 0.57 with an average value of -0.1456. If we look at table 1, it is known that the value of the standard deviation of the variable*total accruals to total assets (TATA)*of 0.48780. Based on the average value and standard deviation, it can be explained that there is a fairly high fluctuation in the variable*total accruals to total assets (TATA)*during the observation period. This is because the average value obtained by the variable*total accruals to total assets (TATA)* smaller than the standard deviation value.

4.2 Overall Fit Model Test

Table 2. Iteration History Step 0

Iteration Historya,b,c

Iteration		-2 Logs likelihood	Coefficients Constant
Step 0	1	127,046	.945
	2	126902	1.026
	3	126902	1.027
	4	126902	1.027

a. Constant is included in the model.
b. Initial -2 Log Likelihood: 126,902
c. Estimation terminated at iteration number 4 because parameter estimates changed by less than .001.

Source: Data processed, 2022

Table 3. Iteration History Step 1

Iteration Historya,b,c,d

Iteration		-2 Logs likelihood	Coefficients						
			Constant	X1	X2	X3	X4	X5	X6
Step 1	1	102.063	-107	-170	.881	-1,998	1.039	.230	.989
	2	94.225	-.462	-.859	1.456	-2,769	1,860	.387	1,791
	3	92.786	-.663	-1.362	1,773	-3.141	2.414	.477	2,358
	4	92,724	-.702	-1,459	1,846	-3.238	2,577	.497	2.518
	5	92,724	-.704	-1.463	1.850	-3.243	2,587	.498	2,528
	6	92,724	-.704	-1.463	1.850	-3.243	2,587	.498	2,528

a. Method: Enter
b. Constant is included in the model.
c. Initial -2 Log Likelihood: 126,902
d. Estimation terminated at iteration number 6 because parameter estimates changed by less than .001.

Source: Processed Data, 2022

Based on tables 2 and 3, it can be seen that the value of –2LogL which only includes constants is126902. After entering the six independent variables, the value of -2LogL decreased to92,724. Decrease value -2LogL(92,724<126902). This decrease indicates that the addition of independent variables into the model improves the fit of the

model, with a coefficient value of -0.704. Meanwhile, the pressure variable constant (X1) is known to be -1.463, the capability variable (X2) is 1.850, the opportunity variable (X3) is known to be -3.243, the rationalization variable (X4) is 2.587, the arrogance variable (X5) is 0.498 and for the collusion variable constant (X6) is known to be 2,528.

4.3 Goodness-of-Fit Test

The results of the study through the Pearson correlation test contained in table 7 indicate that there is no multicollinearity in the regression model becausecorrelation value between variablesindependentPOL and BLOCKonly -0.1021 or not more than 0.8. This indicates that tax avoidance by public companies in Indonesia is generally influenced byexistencepolitical connections and blockholders ownership.

Table 4. Model Fit Test

Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	6,736	8	.565

Source: Processed Data, 2022

Based on table 4, it can be seen that the statistical value of Hosmer and Lemeshow Goodness-of-fit is 6736 with a significance probability of 0.565, where 0.565 > 0.05. This shows that the model can be accepted because there is no significant difference between the model and the observation data.

4.4 Coefficient of Determination Test (Nagelkerke's R Square)

Table 5. Coefficient of Determination Test

Model Summary

Step	-2 Logs likelihood	Cox & Snell R Square	Nagelkerke R Square
1	92.724a	.267	.390

a. Estimation terminated at iteration number 6 because parameter estimates changed by less than .001.

Source: Processed Data, 2022

Based on table 5, it is known that the Cox Snell's R Square value is 0.267 and the Nagelkerke R Square value is 0.390. This means that the variability of the dependent variable that can be explained by the variability of the independent variable is 39% and the remaining 61% is explained by other variables outside the research model.

4.5 2x2 Classification Table

Table 6. 2x2 Classification Prediction Results

Classification Tablea, b

Observed			Predicted		
			Fraudulent Financial Reporting		Percentage Correct
			Not Cheating	Indications of Cheating	
Step	Fraudulent	Not	0	29	.0

0	Financial Reporting	Cheating Indications of Cheating	0	81	100.0
	Overall Percentage				73.6

a. Constant is included in the model.
b. The cut value is .500
Source: Processed Data, 2022

Based on table 6, it can be seen that the number of sample data that has indications of committing fraud is 81 companies. While the companies that are not indicated to commit fraud are 29 companies. The number of research sample data is 110, so the overall percentage value before entering the independent variable into the regression model is 73.6%.

Table 7. Classification Table

	Observed		Predicted		
			Fraudulent Financial Reporting		Percentage Correct
			Not Cheating	Indications of Cheating	
Step 1	Fraudulent Financial Reporting	Not Cheating	13	16	44.8
		Indications of Cheating	7	74	91.4
	Overall Percentage				79.1

a. The cut value is .500
Source: Processed Data, 2022

Table 7 shows that the number of sample data of companies with indications of fraud in the financial statements is 7 + 74 = 81. The output from the actual observations of companies that are indicated to be fraudulent is 74 with the accuracy of the model in this study of 91.4% and companies that are not indicated. committed 16 frauds with a model accuracy of 44.8% or overall classification accuracy is 79.1%

4.6 Testing the Regression Coefficient

Table 8. Logistics Regression Coefficient
Variables in the Equation

		B	SE	Wald	df	Sig.	Exp(B)
Step 1a	X1	-1.463	1.030	2020	1	.155	.232
	X2	1.850	.901	4.215	1	.040	6.360
	X3	-3.243	1.118	8,412	1	.004	.039
	X4	2,587	1.190	4.728	1	.030	13,292
	X5	.498	.221	5.054	1	.025	1,645
	X6	2,528	1,139	4.932	1	.026	12,533
	Constant	-.704	.533	1,742	1	.187	.495

a. Variable(s) entered on step 1: X1, X2, X3, X4, X5, X6.
Source: Processed Data, 2022

Based on table 8, the logistic regression equation can be expressed by the following formula:

$$Ln = -0.704 - 1.463 \text{ Pressure} + 1.850 \text{ Capability} - 3.243 \text{ Opportunity} + 2.587 \text{ Rationalization} + 0.498 \text{ Arrogance} + 2.528 \text{ Collusion} + e\frac{p}{1-p}$$

The test results can be explained as follows:

a. The constant in table 8 has a value of -0.704 which shows that the timeliness of submitting financial reports in the study is -0.704 if the independent variable is zero.
b. The capability regression coefficient of 1.850 means that there is a positive relationship between capability and fraudulent financial reporting.
c. The pressure regression coefficient of -1.463 means that there is a negative relationship between pressure and fraudulent financial reporting.
d. The opportunity regression coefficient of -3.243 means that there is a negative relationship between opportunity and fraudulent financial reporting.
e. The rationalization regression coefficient of 2,587 means that there is a positive relationship between rationalization and fraudulent financial reporting.
f. The collusion regression coefficient of 2,528 means that there is a positive relationship between collusion and fraudulent financial reporting.
g. The positive coefficient of arrogance of 0.498 means that there is a negative relationship between arrogance and fraudulent financial reporting.

4.7 Testing the Regression Coefficient

The t-test shows how far the influence of the independent variables individually in explaining the variation of the dependent variable (Ghozali, 2009). Based on table 8 can explain the significant test as follows.

a. The results of the significant test of the pressure variable obtained a Wald value of 2.020 with a significant value of 0.155 which is greater than 0.05 (0.15 > 0.05). This shows that pressure has no effect on fraudulent financial reporting.
b. The results of the significant test of the capability variable obtained a Wald value of 4.215 with a significant value of 0.040 which is smaller than 0.05 (0.04 < 0.05). This shows that capability has an influence on fraudulent financial reporting.
c. The results of the significant test of the opportunity variable obtained a Wald value of 8,412 with a significant value of 0.004 less than 0.05 (0.004 < 0.05). This shows that opportunity has an influence on fraudulent financial reporting.
d. The results of the significant test of the rationalization variable obtained the Wald value of 4.728 with a significant value of 0.030 which was smaller than 0.05 (0.030 < 0.05). This shows that rationalization has an influence on fraudulent financial reporting.
e. The results of the significant test of the arrogance variable obtained a Wald value of 5.054 with a significant value of 0.025 which was smaller than 0.05 (0.025 < 0.05). This shows that arrogance has an influence on fraudulent financial reporting.
f. The results of the significant test of the collusion variable obtained a Wald value of 4.932 with a significant value of 0.026 which was smaller than 0.05 (0.026 < 0.05). This shows that collusion has an effect on fraudulent financial reporting.

V. Conclusion

Based on the results of the study, it can be concluded that:

1. Financial stability pressure has no significant and negative effect on the possibility of fraudulent financial reporting in companies listed on the Indonesia Stock Exchange for the period 2016 to 2020.
2. Capability has a significant and positive effect on the possibility of fraudulent financial reporting on companies listed on the Indonesia Stock Exchange for the period 2016 to 2020.
3. Opportunity has a significant and negative effect on the possibility of fraudulent financial reporting in companies listed on the Indonesia Stock Exchange for the period 2016 to 2020.
4. Rationalization has a significant and positive effect on the possibility of fraudulent financial reporting in companies listed on the Indonesia Stock Exchange for the period 2016 to 2020.
5. Arrogance has a significant and positive effect on the possibility of fraudulent financial reporting in companies listed on the Indonesia Stock Exchange for the period 2016 to 2020.
6. Collusion has a significant and positive effect on the possibility of fraudulent financial reporting in companies listed on the Indonesia Stock Exchange for the period 2016 to 2020.

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